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ESTABLISHED 1887

A Lesser U.S. Role in the World? Official's Remarks Bring a Prompt White House Denial

By Daniel Williams and John M. Goshko WASHINGTON — A senior State Department official set off a flurry of high-level disavowals with remarks to reporters that the Clinton administration, as it focuses on domestic economic troubles, expects to withdraw from many foreign policy leadership roles customarily assumed by the United States.

France Plans Vast Sell-Off Of Major State Companies

By William Drozdiak WASHINGTON Post Service PARIS — In its sharpest break yet with France's Socialist president, François Mitterrand, the new conservative government announced plans Wednesday to turn some of the country's biggest banks, insurance companies and industrial powerhouses over to the private sector.



MARSEILLE WINS CHAMPIONS' CUP — The AC Milan midfielder Roberto Donadoni (10) soaring over the defender Eric Di Meo of Olympique Marseille on Wednesday in European soccer's Champions' Cup final in Munich. Marseille defeated the Italian team, 1-0, and became the first French club to win the cup. Page 21.

NATO Fails to Endorse Bosnian Enclave Plan

By Roger Cohen New York Times Service BRUSSELS — Amid sharp differences over policy in Bosnia, NATO defense ministers on Wednesday pointedly failed to endorse a plan to create six safe enclaves for Bosnian Muslims that was announced by the United States, Russia and three West European nations last week.

In Kosovo, a Specter of War Worse Than Anything Yet

By Craig R. Whitney New York Times Service PRISTINA, Yugoslavia — The one thing the Serbian military and police authorities who govern Kosovo Province and the 2 million restive ethnic Albanians who resist them agree on is that if the war in the Balkans spreads here, the bloodletting will be worse than anything yet.

Germans Rescind Constitutional Guarantee of Asylum

By Marc Fisher Washington Post Service BONN — Germany revoked its constitutional guarantee of asylum to any politically oppressed person on Wednesday night, sharply curtailing the number of foreigners who can seek refuge in the country.

Car Troubles Follow Legal Ones for Fiat

By Alan Cowell New York Times Service ROME — One day after Italy's corruption scandal gnawed deeper into its top management, Fiat SpA acknowledged further troubles Wednesday, saying it had applied to the authorities for special funding to finance temporary layoffs in its big auto subsidiary.

Kiosk 38 Get Death Sentences in Algiers. General News: Ross Perot dumped on the president as a 'stargazer' neophyte. Business/Finance: VW won a round in a battle with GM.

Yen-Watching: Japan's Consumer Sport. By Paul Blustein Washington Post Service TOKYO — Most people outside of Japan probably do not have the faintest idea that the dollar sank to a record low against the yen on Tuesday.

See FIAT, Page 14



STATESIDE / 'THE ARKANSAS WAY'

POLITICAL NOTES

Deepening Tempest Batters Rights Nominee

WASHINGTON — President Bill Clinton's controversial nomination of a law professor, C. Lani Guinier, as assistant attorney general for civil rights threatens to add the incendiary issue of race to the fight between liberals and moderates over his administration's direction.

Ms. Guinier, who attended law school with Mr. Clinton and his wife, Hillary, has written that "the goal" of anti-discrimination policies should be "roughly equal outcomes, not merely an apparently fair process."

Clinton Doesn't Neglect His Makeup, Either

WASHINGTON — As further evidence of Mr. Clinton's preoccupation with personal grooming, the White House embarrassed a New Hampshire TV anchorwoman over the weekend when a Clinton aide asked her to apply the president's makeup before she interviewed him.

Senate Battle Opens on Campaign Funding

WASHINGTON — The Senate began what is expected to be a long battle over campaign finance legislation by killing a proposal to limit individual contributions to \$100 every two years, down from the current limit of \$1,000 for a primary and a further \$1,000 for a general election.

Quote / Unquote

Representative Lamar S. Smith, Republican of Texas, introducing legislation to tie the rate of legal immigration to the nation's unemployment rate: "Not cutting immigration when you've got high unemployment is like leaving the faucet on when the drain is clogged."

Perot Dumps on Clinton as a 'Starstruck' Neophyte

WASHINGTON — In a blistering critique of the administration, Ross Perot said President Bill Clinton was so poorly prepared for the presidency that "you wouldn't consider giving him a job anywhere above middle management" if he applied for a position in private industry.



President Clinton walking through an exhibit of American-made cars in Washington.

Acquittal Fuels Gun Debate In Japanese Student's Killing

ATLANTA — The acquittal of Rodney Peairs in the shooting death of a Japanese exchange student is reverberating from radio talk shows to newspaper editorial pages, raising difficult issues of law, justice and race in a nation where there are more than 200 million guns and where 4.2 million new guns are sold each year.

Legal experts say that in cases like those of Mr. Peairs and Bernard Goetz, the New York subway gunman whose case became a cause célèbre in 1984, jurors tend to sympathize with otherwise law-abiding people confronting what they believe is a threat in an increasingly violent society.

Away From Politics

- Girls win only about 35 percent of National Merit Scholarships, even though girls, on average, get better grades in high school and college than boys, according to a new report that raises questions about the fairness of the nation's most prestigious scholarship program. FairTest, an organization striving to keep bias out of standardized tests, said that more than 60 percent of semifinalists in the 1993 competition were boys.

'89 High Court Papers Reveal Civil Rights Retrenchment

By Joan Biskupic Washington Post Service

WASHINGTON — In its 1988-'89 term, the Supreme Court made a decisive break with a string of liberal civil rights decisions dating back decades. The newly available papers of the late Justice Thurgood Marshall show how the conservatives, strengthened by President Ronald Reagan's appointments, seized a majority to narrow the scope of job discrimination law.

Section 1981 because of its place in the statute books, and it was intended to make sure that blacks as well as whites to engage in business. It had through the years become a significant counterpart to Title VII of the 1964 Civil Rights Act because, unlike that law, it allowed blacks to sue for unlimited financial damages for job discrimination.

Justice Kennedy responded in kind, adding a footnote aimed at Justice Brennan, who, he said, "thinks it judicious to bolster his position by questioning the court's understanding of the necessity to eradicate racial discrimination."

1989, the court reversed part of a landmark 1971 ruling that prohibited employers from discriminating by requiring job applicants to have skills or academic requirements unrelated to the job.

Khashoggi Gems Are Taken Cannes — The Saudi multimillionaire Adnan Khashoggi has told French police that a burglar stole jewels worth \$3 million from his Riviera apartment while about 400 police officers nearby were guarding the closing ceremony of the Cannes film festival.

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# Cardinal's Death Confronts Mexico With Its Drug Role

**By Tod Robberson**  
*Washington Post Service*  
**MEXICO CITY** — The killing of Cardinal Juan Jesús Posadas Ocampo, who was apparently caught in crossfire during a shootout between drug gangs, has focused the attention of a shocked nation on the drug-related violence spreading throughout Mexico.

President Carlos Salinas de Gortari mobilized the federal police in a manhunt for killers of the Roman Catholic prelate, 66, and six other bystanders, who were trapped Monday in a firefight between gangs wielding assault rifles at the airport in the western city of Guadalajara.

## German Leader Praises New U.S. Holocaust Exhibit

*Washington Post Service*  
**WASHINGTON** — The German president, Richard von Weizsäcker, has praised the new U.S. Holocaust Memorial Museum as "the most impressive place I have ever seen" and said "the Germans will really have to accept it and understand its importance."

Mr. Salinas and other top Mexican officials have underlined Mexican cooperation in joint attempts to control drug trafficking, but his efforts frequently have been thwarted, often by corrupt officials.



Guatemalans demonstrating against President Serrano's suspension of government.

## Army Behind Guatemala Crackdown

*New York Times Service*  
**GUATEMALA CITY** — President Jorge Serrano Elias's move to dissolve the Congress and the Supreme Court and suspend constitutional rights appeared to be a military-backed effort to silence growing political and economic protests.

The other day the president formed a new riot squad of soldiers and police officers. But that same day, thousands of protesters marched peacefully through the streets and the capital buzzed with rumors of a military coup.

The chief military spokesman, Captain Julio Yon Rivera, dismissed reports of a military role in the president's decision. He said military leaders supported Mr. Serrano because he is commander in chief.

# Iran and Iraq Ratchet Up Feud Baghdad Vows Revenge After Tehran Raids

*Compiled by Our Staff From Dispatches*  
**NICOSIA** — Baghdad stepped up its war of words against Tehran on Wednesday after Iranian air strikes on rebel bases in Iraq that heightened border tension between the two Gulf nations.

Iran's government-controlled press attacked Iran, and one newspaper, Babil, called the Tehran government an "assortment of sick and ossified minds."

In a letter to Secretary-General Butros Butros Ghali, an Iranian diplomat at the United Nations, Gholamali Khoshroo, said the operation was "brief, necessary, proportionate, purely defensive," IRNA reported.

## As Deaths of Palestinians Rise, Israeli Rules Come Under Fire

*New York Times Service*  
**JERUSALEM** — At a military court in Jaffa last week, an Israeli Army officer listened impassively as a judge sentenced him to three months in prison and three months of work detail for killing a 12-year-old Palestinian boy in the Occupied West Bank in November.

The debate has intensified with a sharp rise recently in Palestinian deaths. According to army figures, 65 Palestinians were killed by soldiers in the first four months of this year, compared with 39 during the same period in 1992.

Human-rights organizations and lawyers. Human-rights groups argue that there is little army accountability for violence against Palestinians, especially in cases of unjustified killing. The army says its standards are strict and that soldiers generally follow orders.

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Mr. Serrano, a conservative former businessman whose two-year push to end the country's 32-year civil war has foundered in recent weeks, said he would rule temporarily by decree to stem "a breakdown in law and order."

## YEN: Foreign Trade as Life-and-Death Issue in Japan

*Continued from Page 1*  
In 20 years and a renewed plunge in the dollar-yen rate could abort the nascent recovery.

The Japanese government says it is willing to accept a gradual easing of the rate. In the long run, the economy would benefit from the resulting cheaper imports. But officials worry that too fast a change would make it impossible for exporters like Honda and Hitachi to adjust, and force them to close factories precipitously or even lay off "lifetime" employees to remain competitive.

U.S. and European companies declare bankruptcy all the time because of failure to remain competitive internationally, but Westerners clearly pay less attention to the exchange-rate issue than the Japanese do.

**EUROPEAN TOPICS**

**Poor, Unpoliced French Areas Find Vigilantism on the Rise**

When several hundred youths in a poor section of Lille took to the streets to chase out drug dealers, reaction in France was mixed: There was widespread understanding of the desire for safer, cleaner neighborhoods, but some tut-tutting about not taking the law into one's own hands.

But the incident, following a similar one a week earlier in the Paris suburb of Bagneux, has focused attention on some serious problems: the lack of police presence in many poor areas, and the dearth of facilities for the treatment of addicts.

A 1991 study found that two-thirds of such neighborhoods lacked police stations, city-hall annexes or any local governmental representation other than public schools.

Meanwhile, there are only 600 beds in drug detoxification centers in all of France, which the daily Liberation says is the worst level in Europe.

**Around Europe**

Save the bats? Doesn't have much of a ring, but a pilot program in the Belgian Lorraine region aims to do just that. Jacques Fairon, of Belgium's Royal Institute of Natural Sciences, notes that bats play a vital role in controlling unwanted insects — bats protected by the monks of a single abbey consume 3 million tons of insects a year.

But these nocturnal animals, not particularly prolific, suffer from the increasingly intense use of pesticides and chemical fertilizers, and a decline in the number of habitats for summertime, when they reproduce. The program will identify habitats — bell towers, church eaves and so on — and clean or repair them.

German hunters are feeling increasingly hunted as fringe groups of animal lovers resort to more violent tactics. The Münster police office alone has counted 80 cases in which hunters' observation platforms were sabotaged. Some have been blown up, others cut down, and still others weakened so as to fall under people's weight.

A physician and his theologian friend were seriously injured in a 6-meter (20-foot) fall from a platform in a forest in the Saarland. The police say such tactics are employed by a core group of as few as 50 protesters. But a larger group has done its best to make hunters' lives unpleasant. A recent art exhibit in Dortmund, titled "The Hunter and His Dog," was disrupted by protesters throwing acid. Tracts identified them as "Bugs Bunny and His Angry Friends."

Sweden has one of the world's most efficient systems for recycling aluminum cans. With a 10-cent deposit on every can, the Swedes return 84 percent of those they use; the goal in the next few years is 90 percent. By comparison, the Swiss return 60 percent and Americans, 68 percent. Supermarkets have special areas with bins for plastic and cardboard; a laser system reads the codes on deposit containers and issues reimbursement tickets. A nonprofit state monopoly oversees the whole process. Profits go to a nature conservancy: to avoid cross-border trafficking, cans brought in from other countries are subject to a tax.

One in ten of the French have tried mailboxes at least once, according to a recent survey, and twice that many would be willing to give it a try. Going natural is big business in France — the market is worth 670 million francs (\$120 million) a year, according to the weekly L'Espresso. This week a Nudist Tourism Office is opening in Paris, joining its more prosaic counterparts, such as the Brittany and Normandy tourism offices.

Brian Knowlton

Mr. Serrano said he would hold elections within 60 days for a national assembly to change unspecified elements of the constitution. He also promised to leave office as scheduled, in January 1996.

**Canada Signs Accord On Land With Inuits**

*Reuters*  
**IQALUIT**, Northwest Territories — Prime Minister Brian Mulroney has signed a historic land claims agreement that will make Canada's Inuits the world's largest private landowners and help create a vast new Arctic territory.

Mr. Mulroney told Inuits — also known as Eskimos — in this remote Baffin Island community that the pact commits the Canadian government to the creation in 1999 of a new northern homeland called Nunavut. It is to be carved out of the existing Northwest Territories and extend over one-fifth of Canada's land mass, with 80 percent of its 22,000 residents being Inuits.

**Clinton Trade Status**

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**Herald Tribune**

# As Clinton Weighs Trade Status, China Frees Top Dissident

By Sheryl WuDunn

**BEIJING** — The government on Wednesday freed Xu Wenli, a pro-democracy campaigner who has spent the last 12 years in solitary confinement, in an apparent effort to extend an olive branch to President Bill Clinton before he decides whether to extend trade benefits to China.

Mr. Xu, a 49-year-old former editor of an underground magazine, was paroled three years before completion of his 15-year prison sentence. The length of his sentence and the three years he spent in a tiny punishment cell had made him a symbol of those who stand up against Chinese repression.

"I want to thank my own country and people from all over the world who have shown concern for me, helped and supported me for these 10 years," Mr. Xu said as he stood in a Beijing alley, about to return to his apartment for the first time since his arrest in 1981.

The Chinese leaders apparently had several aims in mind in releasing "special prisoner No. 1," as Mr. Xu was known in Beijing's main prison.

The most important is to improve relations with Washington and make it easier for Mr. Clinton to extend China's trade status. Mr. Clinton is expected to announce shortly an extension of China's "most-favored-nation" trade status, while warning Beijing that future renewal will depend on progress in observing human rights, trade agreements and promises not to sell weapons.

Chinese leaders are not happy about such conditions, but if there is no alternative they would prefer that Mr. Clinton impose them himself without the involvement of Congress. They want to defuse the hostility toward China on Capitol Hill and deflect further calls for legislated conditions, which could be more onerous as well as more embarrassing.

"They want better relations with the U.S.," said John T. Kamm, an American businessman who helped lobby for Mr. Xu's release. "Clearly the MFN decision played a role. It would be denying the obvious to say otherwise."

Chinese authorities are also determined to do everything they can

to win a bid for Beijing to be host of the Olympics in 2000.

Mr. Xu emerged Wednesday from Beijing No. 1 prison looking fit and cheerful, and hardly resembling a man who had spent the last dozen years in solitary confinement.

He refused to be drawn out on political topics and declined to criticize the government or call for more democracy.

Mr. Xu was first detained in April 1981 for his role in the 1979-80 Democracy Wall movement, the first major political protest in China calling for more Western-style democracy.

Among his various proposals, Mr. Xu called for a separation of powers and an independent judiciary, but his ideas were considered moderate compared to those of other dissidents at that time. He regarded himself as a Marxist trying to improve the system, rather than a rebel trying to overthrow it.

On Wednesday, Mr. Xu denied that he had committed any crimes, although he evaded a question on whether he had any regrets for what he had done. He also refused to comment on the Democracy Wall movement.

"The Democracy Wall movement is for history to judge," he said. "It's not for me to decide."

After his formal trial in 1982, Mr. Xu wrote a long description of his prison conditions that was smuggled to the West. It told of his deteriorating health and spiritual depression and provoked concern in the West over his treatment in prison.

Prison authorities retaliated, human rights organizations have said, by locking him for three and a half years in an insect-infested windowless cell, "a living tomb," so small that he could not even stand up. Various reports have said that his teeth fell out, his hair turned white, he was not allowed to exercise, he had possibly developed a tumor, and he was not being fed adequately.

Mr. Xu denied Wednesday that authorities had mistreated him. He said that he was fed three meals nearly every day, that his teeth had not fallen out in prison and that he did not have a tumor. He confirmed he was kept in a small cell, but said it was 3 square meters and he could stand up in it.



Xu Wenli outside his Beijing apartment Wednesday. He was flanked by his wife, Kang Tong, left, and their daughter, Xu Jing.

# Pakistan High Court Reinstates Leader

**ISLAMABAD, Pakistan** — Pakistan's Supreme Court reinstated the National Assembly and Prime Minister Nawaz Sharif on Wednesday in a historic decision overturning President Ghulam Ishaq Khan's dissolution of the National Assembly last month.

"The National Assembly has been restored unconditionally," said the assembly's speaker, Gohar Ayub Khan, as he emerged from the crowded courtroom.

"Almighty Allah has vindicated us," Mr. Sharif told several hundred supporters gathered at his house. "Allah has fulfilled all its requirements of justice."

The Supreme Court judges voted, 10 to 1, to declare the president's dismissal of Mr. Sharif and his 30-month-old government outside the limits of his power.

"On merits, we hold that the order of 18th April, 1993, passed by the president of Pakistan, is not within the ambit of the powers conferred on the president and has therefore been passed without lawful authority," the judges wrote. "As a consequence of our order,"

they added, "the National Assembly, prime minister and the cabinet shall stand restored and entitled to function as immediately before the impugned order was passed."

[Mr. Ishaq Khan accepted the verdict, Agency France-Press reported, quoting the president's spokesman. The spokesman said Mr. Ishaq Khan "held the country's judiciary in the highest esteem" and would respect its judgment.]

Mr. Sharif had filed a petition with the court after Mr. Ishaq Khan dismissed him on April 18 on charges of nepotism, economic mismanagement and terrorizing his political opponents.

The decision was announced Wednesday.

It was the first time the Supreme Court has upheld a petition against a presidential dissolution of the legislature.

Mr. Sharif was the third prime minister to be dismissed, along with the National Assembly, since the late President Mohammed Zia-ul-Haq gave the president the power to dissolve parliament under a 1985 constitutional amendment.

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# Sihanouk Retracts Plan for Coalition

By Philip Shenon

**PHNOM PENH** — Prince Norodom Sihanouk, Cambodia's head of state and its former monarch, announced Wednesday that he had abandoned plans to set up a coalition government that included the Khmer Rouge and said that this week internationally supervised elections proved that the Maoist rebels had no place in Cambodia's future.

Only weeks after suggesting that the Khmer Rouge should be incorporated into a new postwar government, the mercurial prince told a group of visiting European legislators that the huge and enthusiastic voter turnout amounted to a final public repudiation of the guerrilla group. The Khmer Rouge boycotted the elections and had threatened to disrupt them with violence.

One of the legislators, Claude Cheysson, a former foreign minister of France, said in an interview that the prince had told the group that the elections were an "historic defeat of the Khmer Rouge — they won't recover."

In a separate statement issued by the palace, the prince said, "I definitively renounce my earlier proposition for the formation of a government of national reconciliation that included the participation of the Khmer Rouge."

Despite his fierce denunciation of the rebels, the 70-year-old prince

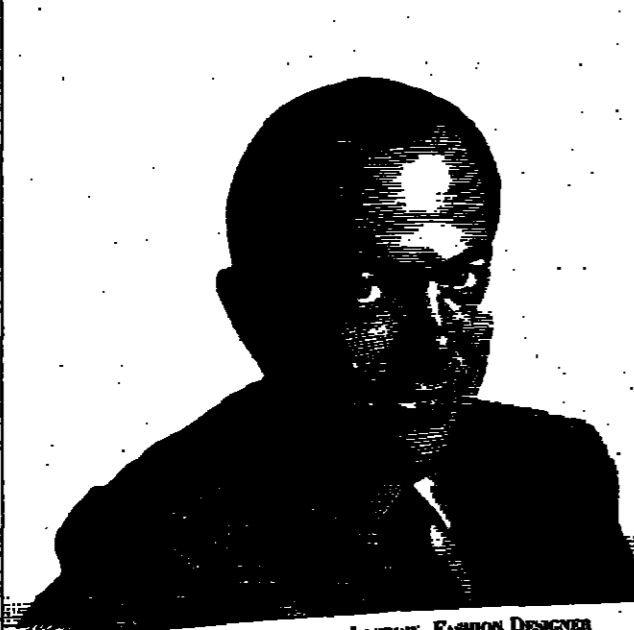
remains a man prone to changing his mind, especially on the issue of the Khmer Rouge. Over the last three decades, he has sometimes been the ally, and sometimes the enemy, of the Khmer Rouge, who were responsible for the deaths of, by some estimates, as many as 2 million Cambodians when they controlled the central government in the 1970s.

The prince did not rule out, however, the inclusion of the Khmer Rouge in a future government, but he said the decision would have to be made by whatever government is established after this week's elections, in which more than 85 percent of Cambodia's 4.7 million registered voters have already cast ballots. "I will not intervene in the question of the composition of the Cambodian government," he said.

The prince, who was toppled in the 1970 coup and has spent most of the last two decades in exile, was not on the ballot in this week's elections, although he is expected to play a pivotal role in the formation of a new government.

He is the most popular figure in Cambodia, drawing adoring crowds everywhere he goes in a country that, since his ouster, has known only genocide or civil war.

This week's election is the centerpiece of a \$2 billion United Nations peacekeeping operation meant to bring an end to 14 years of civil war in Cambodia.



CHRISTIAN LACROIX, FASHION DESIGNER

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INTERNATIONAL Herald Tribune

Butros Ghali Kowtows

A foolish and worrying squall hit the United Nations on Tuesday. Yielding to pressure from China, Secretary-General Butros Ghali sought to keep a leading Chinese dissident from holding a news conference at UN headquarters...

A Test for the Americas

An international police force was to be the dual-purpose lever by which the Organization of American States and the United Nations would pry the military out of power in Haiti and put the elected government back in...

High Officials for Rent

After a week of one political blunder after another, a light bulb finally went off somewhere in the White House, and the Democratic National Committee canceled the White House fund-raising breakfast with President Bill Clinton...

Other Comment

Looking Ahead in Cambodia: What will come out of this week's election in Cambodia? The best hope is that it will produce a government that can command the international and domestic support necessary to defeat a somewhat marginalized Khmer Rouge...

Unmanageable Trade

[Under the] latest Clinton proposal being bruited about, Japan must cut its trade deficit by 50 percent over three years — or else!

Here Comes Greater China, Getting Richer by the Day

By Paul M. F. Cheng

HONG KONG — The Asia-Pacific Century is already dawning, bringing with it major business opportunities for manufacturers and service companies the world over. Nowhere are the opportunities more apparent than in the fast-emerging economic region of "Greater China."

If China is not committed to Hong Kong, why would it buy in at current market rates? The answer is that China sees Hong Kong as a good investment, now and in the future.

The Savage Words That Kill Came From Genteel Balkan Desks

By Svetlana Slapsak

LJUBLJANA, Slovenia — There is much debate in America about political correctness. Which is more harmful to democracy, the expression of ethnic stereotypes or the measures taken to discourage such expression? Once I would have advocated free expression at any cost. But I am convinced that the bestialities of war in what used to be Yugoslavia were triggered by words — clichés put forward by intellectuals and appropriated by politicians.

A key factor in China's development is the increasing autonomy of provincial and municipal authorities, and the growing influence of these authorities — and their more entrepreneurial ways — on national policy. While China is a major business opportunity, it is not without risk. The Chinese government is fully committed to a program of reform, but there is a serious danger of the economy overheating...

Get Europe Back on the Road to Riches

By Charles William Maynes

WASHINGTON — Western policy in the former Yugoslavia has been a failure. In this moment of deplorable paralysis at NATO and the United Nations, what lessons can we draw? Lesson No. 1 is that the United States was wrong to sabotage West European efforts to create defense capabilities outside NATO.

An Energy Crisis Stalls Washington

By Jim Hoagland

WASHINGTON — Bill Clinton's sudden energy crisis in Capitol Hill is a struggle for the control of the nervous system of the nation, if not its soul. The outcome of the battle over a broad-based energy tax will send impulses down the national ganglia about how long America will continue its addiction to cheap but inefficient energy.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Fears for Holland — FLIM, Switzerland — The Queen Regent of the Netherlands is here with her daughter, Queen Wilhelmina. The health of the little Queen gives rise to serious apprehensions. Her Majesty, who is thirteen years of age, is said to be consumptive, and to have undergone an alarming change for the worse.

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The Great Bill Clinton... Confusion... Jay... US trade... NAT... Shouldn't you... CALL... Herald Tribune

OPINION

The Great Budget Brawl, A War Clinton Has to Win

By E. J. Dionne Jr.

WASHINGTON — What are we talking about this week, the weak during which Bill Clinton was supposed to begin his long march to victory on his economic plan? Well, there's that \$200 haircut and also the vital matter of a purge at the White House office that arranges travel for the press.

The question in the next few weeks will be whether Clinton can govern.

"ough decisions" and "change." A large opportunity is in danger of being lost.

The haircut and travel office stories are symptoms of a larger problem bedeviling the Clinton administration: It is not making its own best case, and it seems to resent the burdens that fall on a presidency dedicated to asking the country to do hard things on behalf of change.

Take, for example, Mr. Clinton's effort on Saturday to go the populist route. He lambasted the oil companies as the key foes of his energy tax. He is right, but average voters don't like the energy tax, either.

Clinton supporters object that we have no idea how much Ronald Reagan paid to have his hair done. Leave aside that this means Mr. Reagan was smart enough never to have his hair cut (or tinted) in such a way that it became a big issue.

No wonder Paul Begala, the Clinton campaign adviser who loves populist one-liners, screamed at the press for the attention the haircut story got. This is what psychologists call transference. In his gut, Mr. Begala had to be furious at his own side's blunder.

caled explanations for Mr. Clinton's troubles, put aside the haircut and the travel office fiasco, you are left with one large fact: Bill Clinton has a problem because he has called for substantial tax increases. He has said, correctly, that you can't hope to balance the budget and do the other things the country wants done without new taxes. In other words, he has shown real courage and faced up to problems just the way voters said they wanted him to. But "courage" is not a word you see used much about Mr. Clinton these days.

Now would you know that the bulk of the new taxes — 63 percent according to the Democratic Study Group — will be paid by families earning more than \$200,000 a year. The people certainly don't know this. A poll done for a Republican senator in a Western state that Mr. Clinton carried found strong support for higher taxes on the wealthy — and strong opposition to Mr. Clinton's plan, partly because it was seen as imposing unfair burdens on the middle class. The message to this senator was simple: Keep firing away at Mr. Clinton's plan.

As long as the debate is carried out at the level of generalities, Mr. Clinton will keep losing. Vagueness is his enemy, and specifics are his friend. Of course most people would prefer "spending cuts" to "taxes." That is because people assume that the spending cuts will come out of "waste, fraud and abuse" or "special interests." The taxes, on the other hand, are seen as coming out of everybody's pocket.

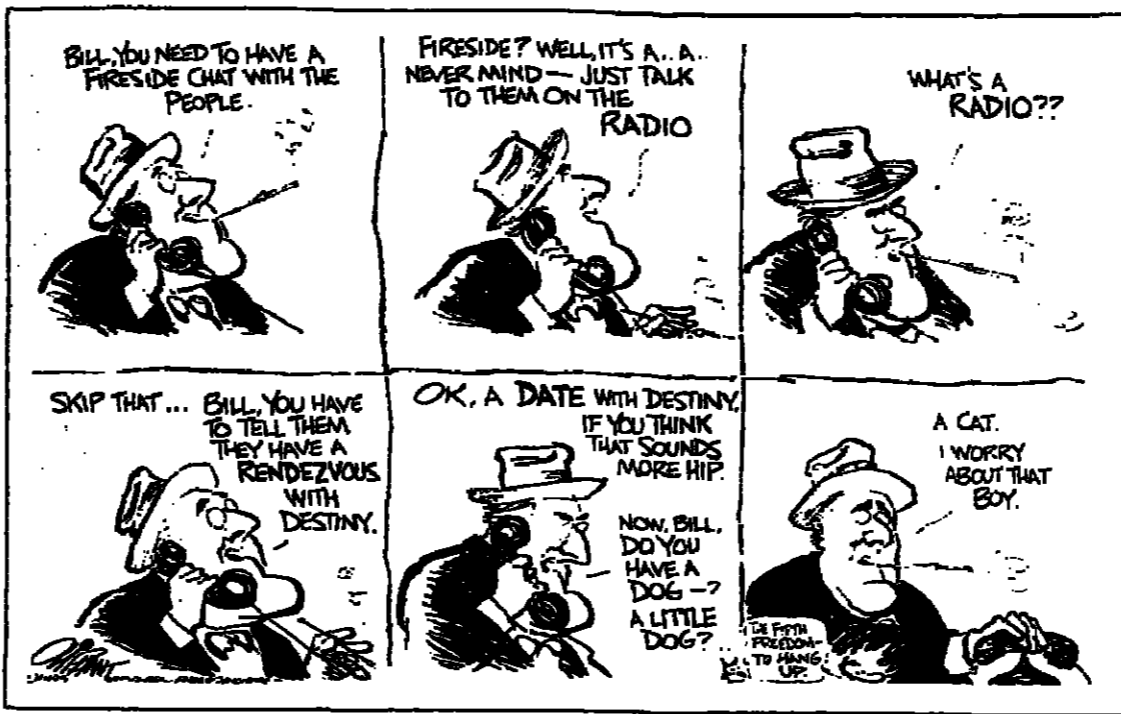
Mr. Clinton should not be ashamed to borrow Ross Perot's charts to show how his program works, how the alternatives to it sound a lot better than they are, and to insist that anyone who claims there is an easy way out is lying. Sure, the Clinton plan is imperfect. But it is likely to be far better than the alternatives cooked up by legislators who are losing their nerve as Mr. Clinton loses ground.

These days, Mr. Clinton is being criticized by allies to his left and allies to his right. The Clinton left argues that his plan is not ambitious enough to deal with the huge economic dislocations created by the global economy. The Clinton right — centrists, really — say he is backing away from his pledges to be "a different kind of Democrat."

These streams of contradictory criticism share one thing: Both sides are frustrated because Mr. Clinton no longer looks as if he is really going to change things. He can restore hope in his presidency by winning the budget fight on the merits (and the merits may be all he has), and by proving that he is a man who takes the art of government seriously.

If Mr. Clinton does not push the discussion toward seriousness, his foes will be more than happy to talk about haircuts and the charter flight business. The country does not deserve that, and in the end neither does Mr. Clinton.

The Washington Post



LETTERS TO THE EDITOR

A Fresh Start for India

Regarding the editorial "India at the Edge" (Feb. 25) and "Pharalism in India" (Letter, April 7):

The Bharatiya Janata Party is clearly communal in the sense of perniciously exploiting religion to attain political power. This is done directly in appealing to the majority Hindus and in threatening the minorities, the Muslims in particular. During its rule in some of the Indian states, it has even tried to rewrite Indian history in presenting the Muslim period as foreign rule.

The BJP has shown no remorse for the carnage that followed the demolition Dec. 6 of the Ayodhya mosque. Since that infamous day, thousands have died, hundreds of thousands have been uprooted, and a vast number of homes and businesses have been destroyed, along with many worship centers. The consequences are still being felt all over South Asia.

We concur that the BJP will not be contained by learning "legitimate" protest, but we assert that the governing Congress (I) Party has no capacity to enforce "India's laws against violence" and to use the government's full power to protect minority rights. India cannot be led back from the edge by Congress (I). This will be possible only through new political forces providing a really secular, democratic rule.

KHALID HAMEED, Wageningen, Netherlands.

The Tragedy of 'Shoot First'

Regarding "For Japan, Acquittal Confirms Worst View of U.S." (May 25):

More words of apology can do little to alleviate the anguish felt by the bereaved family of the Japanese exchange student who was shot and killed in Louisiana.

but my heart and thoughts go out to them. Let it be known that at least one American is filled with shame for his country on this terrible day.

BRUCE D. SCOTT, Garding, Germany.

Homosexuality and Morality

Regarding "Homosexuals in Uniform" (Letters, April 16) from Ken Cowan:

The conviction that homosexuality is morally wrong is not based on "intuition" or on the ignorant bias that humans tend to inflict on those different from themselves; this is the core of racism, and a shallow, indefensible one. The moral mandate against homosexual practice is based on an understanding of the proper role and expression of the gift of human sexuality, and recognition of the need to maintain the dignity of the human person by not abusing this gift.

Further, racism is a direct assault on a person or people, whereas to be opposed to homosexuality is to oppose an act, a thing. In this sense, the difference between opposition to homosexuality and opposition to rape or drug abuse is only a quantitative one: In each case it is an act or behavior seen as morally wrong and not a person considered inferior.

T. M. AGLIALORO, Rome.

Regarding "Merely Private Freedom"

(Opinion, May 11):

Charles Krauthammer observes that most parents would not like their children to grow up gay because homosexual orientation is an immoral and illegitimate lifestyle. In an attempt to be evenhanded, Mr. Krauthammer concedes that private acts should be tolerated but not legitimized. Mr. Krauthammer is morally dishonest if he thinks you can have tolerance without legitimacy.

Perhaps he has not had a gay child or known other families with homosexual children who have committed suicide because they could not handle the pressure of being gay in a society that demonizes them. How can Mr. Krauthammer make a moral judgment against behavior over which people have no control?

LARRY SHAPIRO, Calgary, Alberta.

Remember Costa Rica

Regarding "Venezuela's President to Face Trial for Theft" (May 22):

The statement that Venezuela's "35-year-old civilian democracy is Latin America's oldest" is false! Costa Rica, a country without an army, has Latin America's oldest civilian democracy, at 103 years.

In fact, Venezuela's accused president, Carlos Andrés Pérez, lived in Costa Rica as an exile during the years of General Pérez Jiménez's military dictatorship. He and Venezuela's great democratic leader, Romulo Betancourt, both enjoyed democratic Costa Rica's hospitality during the 1950s, and both married Costa Rican women.

HUMBERTO PACHECO, Zurich.

Reinventing the Wheel

Regarding "Are There Any Grown-Ups in the White House?" (Opinion, May 17):

Charles Krauthammer has missed the point in his analysis of Hillary Clinton's "Politics of Meaning" speech given in Texas recently. He trivialized her observations as "thundering truism" most adults come to early in life" delivered as if she had "discovered the wheel."

No Bed of Chrysanthemums For the Princesses of Today

By Anna Quindlen

NEW YORK — When I was young my mother sometimes hinted that a good career option would be to marry the Prince of Wales. How a second-generation Italian immigrant thought she was going to manage an introduction for her mouthy, scabby-kneed

the last moms in the world to think that being a princess is a dream job.

In a few weeks, in Japan, another mother will see her daughter married, and as she does it may occur to her that there has a bride approached her wedding day amid such a societal miasma of sympathy. Masako Owada graduated from Harvard, entered the foreign service, and rose through the ranks. But the 29-year-old diplomat has decided to chuck that career for what, once upon a time, might have been called another, that of wife to the heir to the Chrysanthemum Throne.

MEANWHILE

Catholic daughter to the heir to the House of Windsor is anyone's guess.

But I have discovered since that she was not alone, and that other mothers, Lucilles and Anitas and Bridgets, talked of a white wedding in Westminster Abbey despite the obvious requirements of realpolitik and the Church of England.

They are a singular group, those women who have since seen their daughters married to men with less conspicuous bloodlines. They are

Charting public opinion, it seems people were happier for Anne Boleyn when she went to the block than they are for this young lady. It's easy to tell why. Pictures of Masako P.P. (pre-prince) show a lively-looking woman with shortish skirts, a no-nonsense handbag and a sense of get-up-and-go. Many of those in high places thought she was too modern, too Westernized, having lived in Massachusetts and taken ski vacations, to be a suitable bride for the prince.

But the prince thought she was perfect, and though she turned him down repeatedly over the last six years, she was persuaded to give in for the good of the country. Suddenly her hems and gossamer were cast down, and she was photographed in a kimono, with one of those silly little purses the Queen of England favors — looking like a sacrificial lamb.

Or the heir to the Diana misfortune, The Princess of Wales, who got the guy my mother thought would provide me with financial security, an unmortgaged house and a big engagement ring, is in part responsible for the flagging image of princesses. Disclosures about her unhappy private life have made clear that, marrying a man who not only expects to be treated like a prince but actually is one can lead to great unhappiness and a persistent problem with having private, telephone conversations.

Being a princess is not the job it once was, either. At the very least it once guaranteed universal deference and the chance to be admired by many women. But as Crown Prince Naruhito learned when he went searching for a wife, these are no longer guarantees.

And being a princess, making your fortune through marriage, is no longer quite so popular since many a young girl has learned to make her fortune through clever career moves. Apparently Masako Owada's prospective mother-in-law promised the princess-to-be that she could retain her own personality even if she married into the imperial clan. It does not look so far as though she will be permitted to retain her own wardrobe.

Being a princess is not the carefree life of spinning straw into gold and going to Ascot that my mother apparently thought it would be. For this one, so far, sympathy overwhelms the well wishes.

MARY YZNAGA, Amsterdam.

A Gentleman All the Way

Regarding "Rush Limbaugh Tells All to Lib City Reporterette" (Back Page, March 27) by Maureen Dowd:

In her report of a dinner interview with Rush Limbaugh, Ms. Dowd tells how a passing friend of his tossed an off-color remark in her direction, for which Mr. Limbaugh (later) apologized. She remarks: "Rush Limbaugh a sensitive guy? Wrap your mind around that one."

We think this is asking too much. How could it be that a person who defends the lives of unborn children against the convenience of their mothers, who denounces the proliferation of pornography, who openly seeks to prevent 6-year-olds from learning all about sex and alternative lifestyles, and who, in fact, denies our absolute freedom to do whatever we please no matter what the consequences — how could such a person possibly be sensitive enough to apologize for a crude remark made to a lady in his presence?

Ms. Dowd stretches our credulity. KATHLEEN VAN SCHAIJK, Gaming, Austria.

Continued uncertainty in Bosnia
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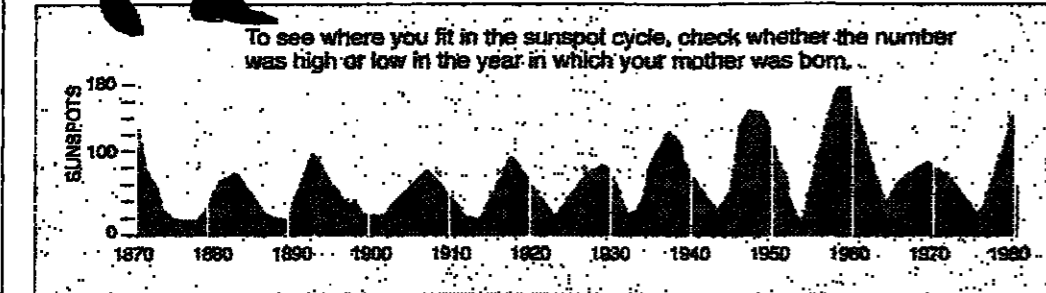
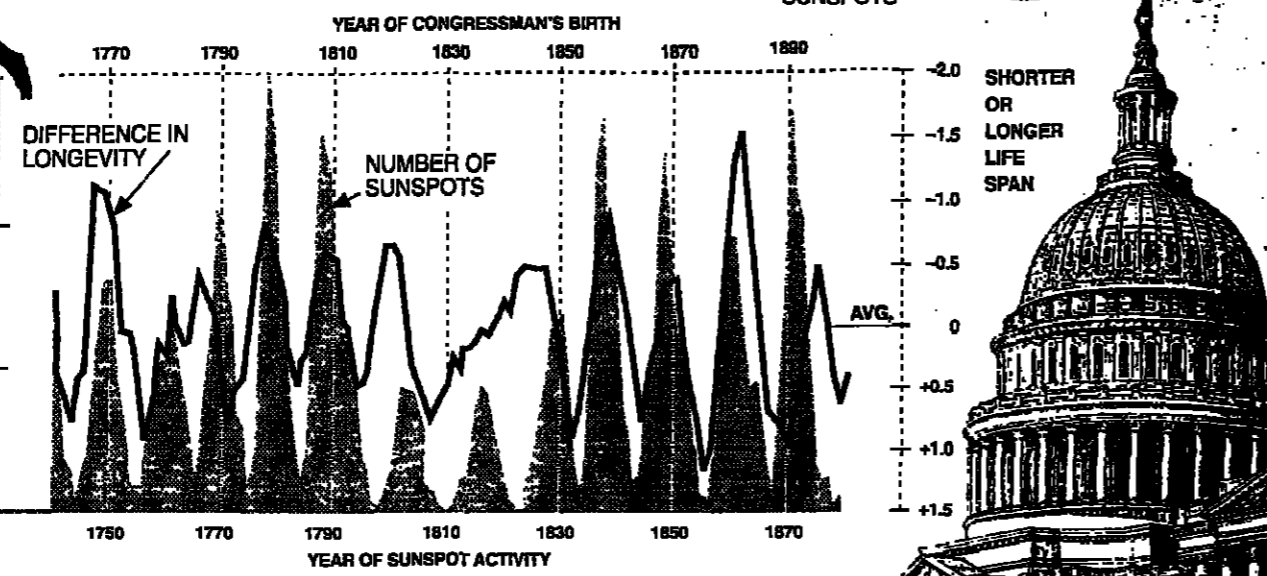
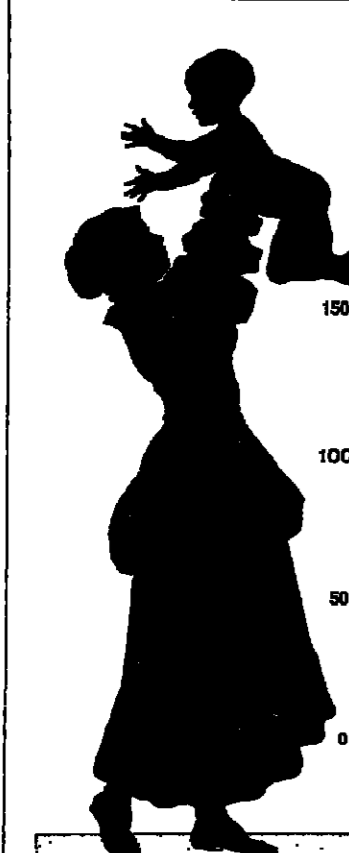
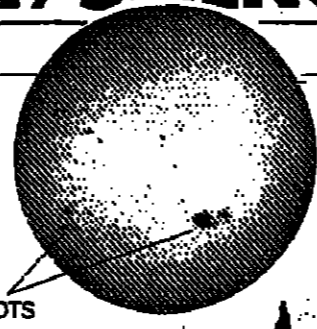
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HEALTH / SCIENCE



From Sun to Mother to Son

A new study suggests that changes in sunspot intensity (shaded peaks and valleys) may be linked to changes in life span of members of Congress born 20 years later (dark line). Note that the birth graph is shifted 20 years to the left in relation to the sunspot graph to show the correlation. The gap could mean the effect—possibly from increased radiation during high sunspot times—was on the mother.



Forget Horoscopes! Consult Old Sunspots

By Boyce Rensberger
WASHINGTON—Forget horoscopes. If you really want to know how the stars influence your fate, there is only one you might want to consider: the sun.

University biophysicist who previously led development of two leading anti-cancer drugs—cisplatin and carboplatin.

The curious finding arose when they figured the average age at death of the men born in each year. The numbers were not consistent or even very close from one birth year to another.

tion reaching Earth (both electromagnetic waves and charged particles) varies with the number of sunspots: The more sunspots, the more radiation.

New Views on Prostate Care Surgery Is Often Not the Best Remedy

By Natalie Angier
New York Times Service

NEW YORK—For many men with early prostate cancer, the best thing to do may be nothing at all, a new report concludes.

For men under 70, the only patients who came out with theoretical benefits from immediate aggressive treatment were those with relatively high-grade tumors, in which cancer cells were somewhat likelier to burst out of the bounds of the prostate.

on the best approach to diagnosing and treating prostate cancer, a malignancy that, however indolent it may sometimes be, is the second biggest cancer killer of American men, after lung cancer.

Prostatectomies soared almost 600 percent from 1984 through 1990.

Dr. Grace L. Lu-Yao of Dartmouth, the main author of the analysis, said the increase was seen for all age groups, from the youngest patients to men in their 80s.

Even though we're uncertain about the efficacy of invasive treatment, I would advise some sort of treatment in younger men," said Dr. Willet F. Whitmore of Memorial Sloan-Kettering Cancer Center in New York.

Once prostate cancer has escaped the borders of the prostate, the malignancy can be treated with drugs that suppress the male hormone, testosterone, which fuels the cancer's growth.

Colonialism in Antiquity

By John Noble Wilford
New York Times Service

NEW YORK—On a limestone bluff overlooking the Euphrates in southeastern Turkey, a low mound spreads across several acres, blanketing the ruins of a settlement that bustled with life and trade in the late fourth millennium B.C.

diately above it is a layer of indigenous artifacts and architectural remains mingled with clear evidence of a Mesopotamian presence.

Or it may turn out to be a somewhat different story. The first archaeological excavations at the Turkish site of Hacinebi Tepe, begun last summer, have yielded surprising results. A preliminary examination of the stones, mud brick, ceramics and other artifacts suggests that the local people at Hacinebi may well have been trading with their supposed Mesopotamian masters as equals.

Recent excavations in the archaeology of colonialism have revealed the ruins of several such Uruk outposts on major trade routes. One of the best documented is Godin Tepe, sitting astride the Khorsan Road, the most important east-west route crossing the Zagros Mountains of Iran.

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IN BRIEF

New Findings on Leukemia Gene
LONDON (Reuters)—A genetic mutation that causes infant leukemia is not necessarily inherited and can occur while the fetus is developing in the womb, researchers said on Thursday.

Firefly's Light Helps Battle TB
WASHINGTON (AP)—Scientists are using the gene that makes fireflies glow to help physicians quickly choose the right medication to treat patients with drug-resistant tuberculosis.

BRIDGE

By Alan Truscott
THE first cash-prize tournament under the auspices of the American Contract Bridge League was played in Las Vegas, Nevada, last weekend.

WEST held that card and played two club winners, destroying West. In the replay North-South rested cautiously in three no-trump.



**NYSE**

Wednesday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

Table of NYSE closing prices for various securities, including columns for High, Low, and Close.

Table of NYSE closing prices for various securities, including columns for High, Low, and Close.

**European Group Readies Its Strategy for HDTV**

Reuters

**BRUSSELS**—A group of European broadcasters, satellite operators, manufacturers and public officials will announce within days a strategy for introducing the next generation of television technology to Europe, industry and government sources said on Wednesday.

With the European Community's original plan for promoting high-definition television in a shambles, the group is turning toward fully digital standards, the same approach announced earlier this week in the United States.

The European Launching Group for Digital Video Broadcasting plans to make a public announcement about its activities within the next few days, Armin Silberhorn of Germany's Post and Telecommunications Ministry said.

The group includes the EC Commission, Britain's Department of Trade and Industry, Philips Electronics NV, Thomson SA, broadcasters News International PLC of Britain and ARD of Germany and the Luxembourg satellite operator Société Européenne des Satellites, the sources said.

They aim to coordinate research on digital technology and develop European standards that can be used to launch a range of advanced television services, said Charles Sandbank, who heads a joint committee of the European Broadcasting Union and the European Telecommunications Standards Institute.

These range from "multichannel" satellite services—using digital compression to squeeze several television channels into the space now occupied by one—which could be available in 1995, to terrestrial HDTV services that would not be introduced until at least the end of the decade, Mr. Sandbank said.

Mr. Silberhorn said members hoped to sign a memorandum of understanding on June 2. He said the commission was not playing an activist role, as it did in promoting the controversial MAC satellite-broadcasting standards for HDTV, but had agreed to consider funding requests.

The European Launching Group began on an ad hoc basis almost a year ago, focusing on long-range plans for terrestrial television, said a participant who asked not to be named.

It decided to shift gears after France's Canal Plus and News International announced last autumn that they would jointly offer advanced television services by satellite, the participant said. Now it hopes to have the first satellite digital standards in operation by mid-1995.

In the United States, four rival groups have agreed to submit a joint proposal for a digital HDTV system. Digital television will offer cinema-quality viewing, without ghosting or static, and open the door to services such as teleshopping and personal computer link-ups.

Table of financial data for various companies, including columns for High, Low, and Close.

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Large table of financial data for various companies, including columns for High, Low, and Close.

Vertical advertisements on the left edge of the page, including "Prostate" and "Antique".

# NASDAQ

**Wednesday's Prices**  
 NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12-Month High	12-Month Low	Stock	Div.	Yield	PE Ratio	High	Low	Close	Change
27.00	23.00	Alcoa	0.40	3.7	13.4	26.75	23.00	25.50	+0.75
102.00	95.00	Amgen	0.50	1.9	55.1	101.50	95.00	100.00	+3.00
25.00	21.00	Boeing	0.20	3.8	13.4	24.50	21.00	23.00	+1.00
45.00	41.00	Boji	0.10	2.4	16.7	44.00	41.00	43.00	+2.00
140.00	120.00	IBM	1.12	4.5	13.4	138.50	120.00	135.00	+10.00
100.00	90.00	Intel	0.20	2.4	16.7	99.00	90.00	97.00	+7.00

12-Month High	12-Month Low	Stock	Div.	Yield	PE Ratio	High	Low	Close	Change
150.00	140.00	Microsoft	0.30	1.9	55.1	149.00	140.00	147.00	+7.00
80.00	75.00	Oracle	0.10	1.2	41.7	79.50	75.00	78.00	+3.00
35.00	30.00	Sun	0.15	4.5	13.4	34.00	30.00	32.00	+2.00
120.00	110.00	WorldCom	0.50	1.9	55.1	119.00	110.00	117.00	+7.00
40.00	35.00	Comcast	0.20	5.0	13.4	39.00	35.00	37.00	+2.00

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  - Gordon Johns, Managing Director, Kemper Investment Management, London
  - Gary Kreps, Chief Investment Officer, Global Fixed Income, G.T., San Francisco
- THE CURRENCY SESSION**
  - Irwin Berger, Director of Trading, Sjo Inc., Chicago
  - Howard Flight, Joint Managing Director, Guinness Flight, London
  - Lawrence Hite, Managing Director and Founding Partner, Mint Investment Management, New Jersey
  - Andrew Horrig, Head of the Strategy and Currency Group, Citibank, London
  - Ross Jackson, Founder & Chief Executive, Gaicorp, Denmark
- THE EQUITY SESSION**
  - Alan Albert, Managing Director, Merrill Lynch Asset Management, London
  - Nicholas Knight, Head of Global Equity Strategy, Nomura, London
  - Ranjan Pal, Director and Regional Economist, Jardines Fleming Broking Ltd., Hong Kong
  - Henry Thornton, Investment Director, Credit Lyonnais International Asset Management, Hong Kong
  - Audley Twiston Davies, Managing Director, Latin American Securities, London
  - Beat Wittmann, Head of European Equities, U.B.S. Asset Management, Zurich

The equity session will also be addressed by a major U.S. fund manager.
- GERMAN CRISIS: MILESTONE FOR EUROPEAN RECOVERY?**
  - Norbert Walter, Chief Economist, Deutsche Bank, Frankfurt

27-5-93

The cocktail reception on the evening of June 9 is being hosted by Merrill Lynch Asset Management U.K.

**REGISTRATION INFORMATION:** The fee for the conference is £295 plus VAT at 17.5%. This includes lunch on both days, the cocktail reception on June 9 and all conference documentation. Fees are payable in advance and will be refunded less a £75 cancellation charge for any cancellation received in writing on or before June 1, after which time we regret there can be no refund. Substitutions, however, may be made at any time.

**CONFERENCE LOCATION:** Hyatt Carlton Tower, Cockspur Place, London SW11. Tel: (44 71) 235 5411. Fax: (44 71) 245 6570. To reserve accommodation at a preferential rate, please contact the reservations department at the Hyatt Carlton Tower no later than June 1, notifying the hotel that your booking is in connection with the IHT conference.

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INTERNATIONAL FUNDS

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The smallest symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (m) - monthly; (q) - quarterly.

Table with columns: Name, Div, Yld, PE, High, Low, Last, Chg. Lists various international funds and their performance.

AMERICAN FUNDS

Quotations supplied by funds listed. Not asset value quotations as the funds listed with the exception of those indicated by asterisks.

The smallest symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (m) - monthly; (q) - quarterly.

Table with columns: Name, Div, Yld, PE, High, Low, Last, Chg. Lists various American funds and their performance.

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Table with columns: Name, Div, Yld, PE, High, Low, Last, Chg. Lists various American funds and their performance.



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Page 14 MARKET DIARY

Dow Hits a Record As Rates Decline

Bloomberg Business News NEW YORK — A decline in long-term interest rates Wednesday helped push the Dow Jones industrial average to a record high...

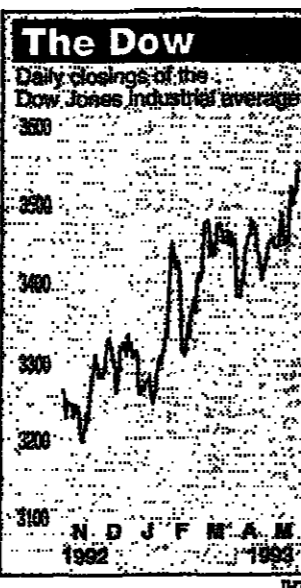


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Table with columns: Vol., High, Low, Last, Chg. for AMEX Most Actives.

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U.S. / AT THE CLOSE

Durable-Goods Orders Flat in April WASHINGTON (Reuters) — Orders for U.S. durable goods were flat in April, the Commerce Department said Wednesday...

Tandy Drops Spin-Off, Sells Assets IRVINE, California (Combined Dispatches) — Tandy Corp. backing away from an earlier spin-off plan...

Blue Cross to Merge Units in 3 States CHICAGO (Combined Dispatches) — Blue Cross and Blue Shield said Wednesday it intended to merge its Illinois, Iowa and South Dakota operations...

OVERSEAS: Caring and Saving (Continued from first finance page) Indeed, many companies now require intensive language study for prospective expatriates...

YEN: Fresh Record, Despite Brakes

(Continued from first finance page) G-7 countries should ensure that the market reflects economic fundamentals, he said.

Foreign Exchange

ister for international affairs at the Ministry for International Trade and Industry, said the focus of the administration's efforts had so far all involved one form or another of managed trade...

FIAT: Market Woes Add to Troubles for Automaker

Continued from Page 1 longed economic woes at Fiat, which the company ascribes to a deep recession in the European and Italian auto markets.

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GATT Finds EC at Fault On Bananas

GENEVA — A GATT dispute panel has ruled that the European Community's current import regime for bananas unfairly limits Latin American exports...

Montedison Sheds Drug Line 49% Stake in 2 Units Is Sold to Raise Cash

MILAN — Ferruzzi Finanziaria SpA said Wednesday its Montedison SpA unit had completed the disposal of its pharmaceutical activities...

Daimler Cautions On 1993 Outlook As Sales Drop 20%

STUTTGART — Daimler-Benz AG, announcing a 20 percent drop in sales for the first three months of this year...

Investor's Europe

Table with columns for Exchange, Index, Wednesday Close, and % Change. Includes data for Frankfurt, London, Paris, Amsterdam, Brussels, Frankfurt, Frankfurt, Helsinki, London, London, Madrid, Milan, Paris, Stockholm, Vienna, Zurich.

EBRD May Cut Lending Targets

By Erik Ipsen International Herald Tribune LONDON — The European Bank for Reconstruction and Development, faced with an ever-widening gap between its lending targets and its achievements...

Very briefly:

- British Petroleum PLC said it would sell its consumer-products division to a group led by a unit of the insurance company Legal & General Group PLC for £250 million (\$387.5 million).

INTERNATIONAL CLASSIFIED

Today's INTERNATIONAL RECRUITMENT Appears on Page 16

Business Opportunities, Real Estate for Sale, Real Estate to Rent/Share, Business Services, Hong Kong Companies US \$350, Sovereign Trust International, Business Travel, Your Office in Germany, At Home in Paris, Paris Promo, 74 Champs Elysees, Le Claridge, Auto Rentals, Legal Services, Low Cost Flights.

JOBS: EC Debates Whether the Social Safety Net Is Strangling Growth

(Continued from first finance page) Those costs, along with Europe's tradition of granting each employee four to six weeks of paid vacation annually, represent a "very big disincentive for employers to employ people..."

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## AT HOME AND ABROAD, INVESTING IN QUALITY

Every night, Turks are treated to television commercials for as wide a range of consumer goods and services as might be found in any nation of the Organization of Economic Cooperation and Development. Whether the brand name is that of a multinational or a local company, more often than not the actual product is made in Turkey.

Over the past two decades, and especially since the early 1980s, Turkish society has witnessed a growth in consumer consciousness and demand — particularly among the increasingly affluent middle-class segment of the urban population.

The concentration of population growth within a relatively youthful age bracket in the cities means increasing demand for choice and consumerism. This has created a wide range of opportunities

for infusions of Western technology, management and marketing expertise into medium-scale manufacturing operations. Such infusions have already taken place across a wide range of goods.

Recognizing Turkey's burgeoning potential, foreign investors have responded to the government's open-door policies. From a previously closed command regime, the economy was reoriented outward in the 1980s, with sever-

al large greenfield projects coming forward at the close of the decade.

Since then, foreign investment has held up well in the face of the recession. The total amount of foreign-investment inflow rose to \$1.242 billion in 1992, compared with \$1.041 billion the year before. At present, investors are concentrating on buying into existing businesses, which offer immediate market shares, established distribution networks and local

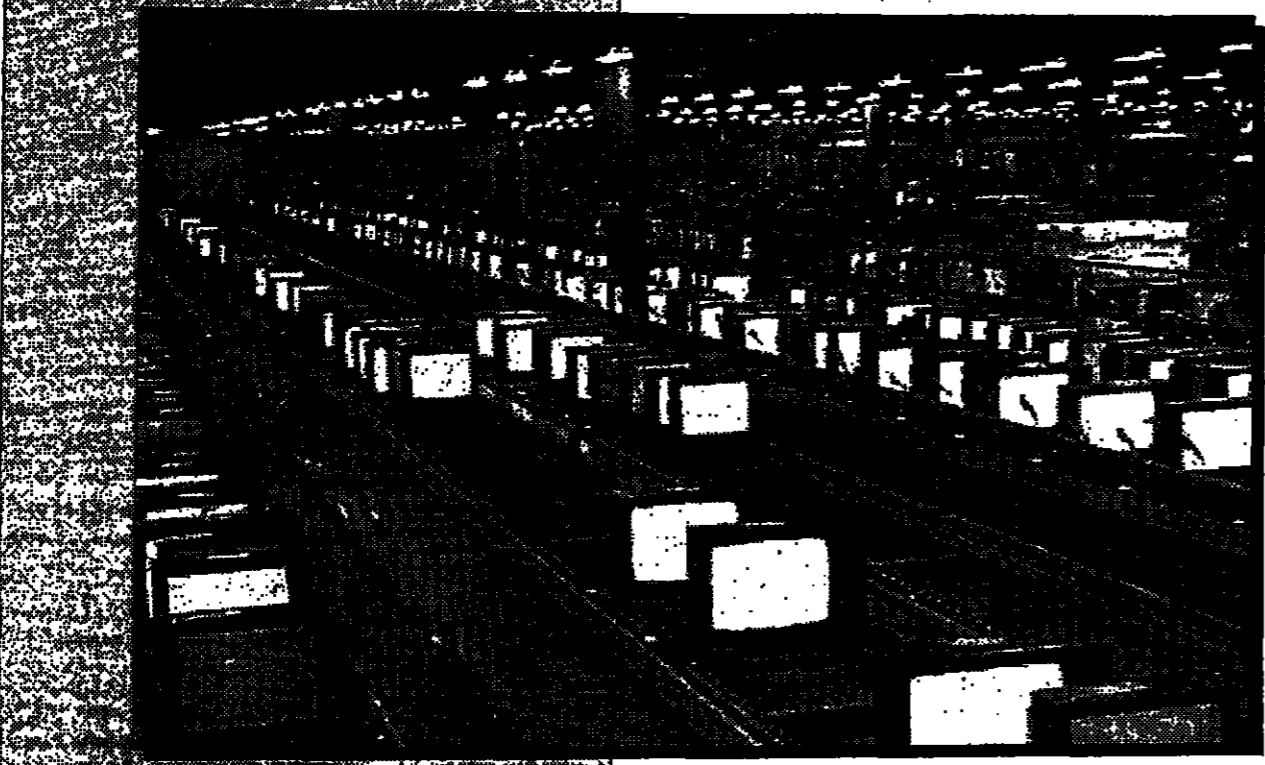
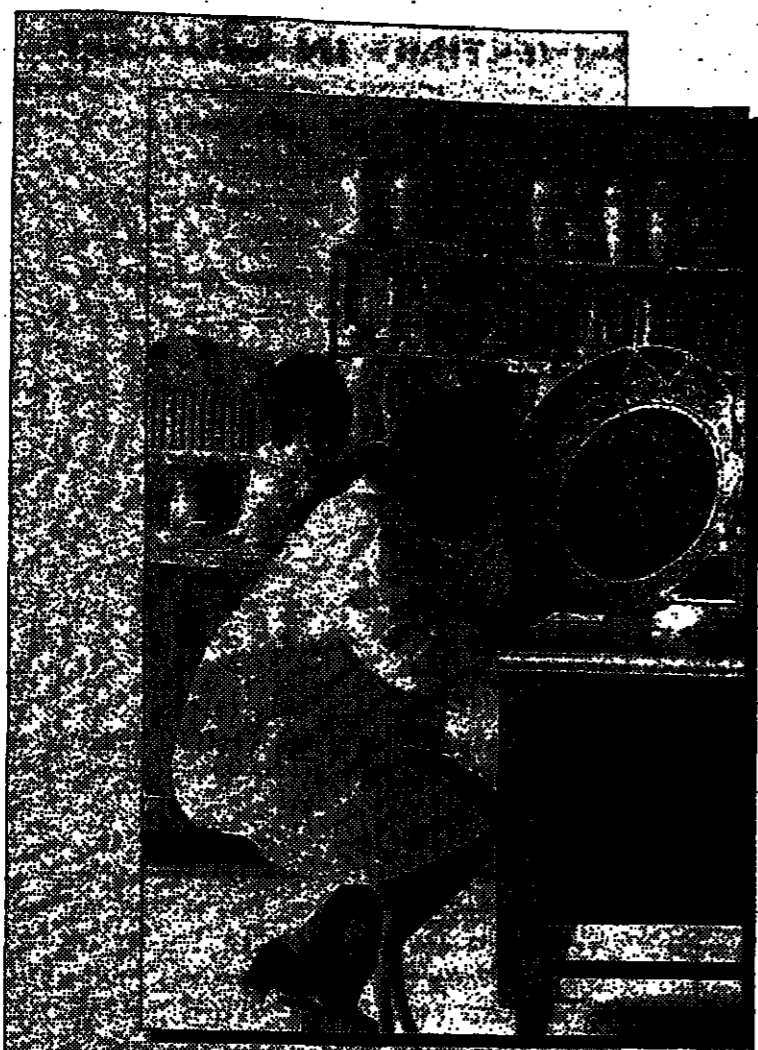
brands to which can be added those of the foreign company. The groundwork has been laid for rapid growth in better times.

The government has offered new incentives valued at 22 trillion Turkish liras (\$2.5 billion) to boost exports and investment in industry and tourism in 1993. Also aimed at increasing employment, the incentives include low-cost credits with interest ranging from zero to 40 percent, state subsidies in energy and transport, and land allocation for investors in less-developed parts of Turkey. In addition, the government plans to support small investors through the extension of venture capital.

Turkish industry has benefited and learned from the transfer of foreign technol-

ogy as well as the management and marketing skills that come with foreign investment. In many sectors, the nation is at the cutting edge of technology. In February, then-Prime Minister Suleyman Demirel, who succeeded Turgut Ozal as Turkey's president on May 16, opened Turkey's first microchip production facility, a \$60 million factory in Ankara owned by Turkiye Elektronik Sanayii ve Ticaret (TESTAS). The nation's capital has been designated as an investment center for high-tech industries, particularly those in the defense sector. Turkish standards have been brought up to meet international requirements, notably through the implementa-

Continued on Page 18



From ceramics to high tech, Turkey banks on quality.

## SMOOTH TRANSITION FOR THE NEW PRESIDENT

On May 16, the National Assembly elected former Prime Minister Suleyman Demirel, 68, as the ninth president of the Turkish Republic. The smooth transition assuaged fears that the country might plunge into a political crisis after the death of President Turgut Ozal on April 17.

Mr. Demirel's election is the pinnacle of a political career spanning seven premierships in three decades. Opinion polls show that the vast majority of Turks approve of having such an experienced man at the helm.

"The fact that such a lofty office has now been filled in great tranquility, in line with democratic rules and without any snags, constitutes a victory for Turkish democracy," Mr. Demirel said after being sworn in. He pledged to combine impartiality with involvement in big issues.

In his inaugural speech, Mr. Demirel stressed that Turkey's free-market development path into the next century will continue. "Turkey is now the name of a great country. It must use the next seven years in the best way. Turkey will enter a new century in these seven years. In the years beyond 2000, Turkey will be much more beautiful, happy and prosperous than we can imagine today.

"It is the individual people of our country, its collective millions and their creative power, that will lead Turkey to this goal, consisting of an effective and productive country with the advanced technology and competitiveness of the 2000s. As I begin this honorable duty bestowed on me with enthusiasm and sincerity, I would like to see a Turkey that preserves its democratic stability; that con-

tinues its development; that is not forced to make a choice in the triangle of bread, security and freedom, but possesses all three; that introduces and instills populism, liberalism and competition — not only in its political system, but also in its economy, press, business world, universities, associations and professional organizations; that eliminates monopoly in every field; that perpetuates the reforms which will lead the country into the 2000s; that launches new reforms which will keep up with world changes; that encourages, supports and trains the creative people who will undertake these reforms; that cooperates with the world to achieve peace; that grows and prospers in unity, solidarity, harmony, order and brotherhood; that accords the freedom of conscience, thought and religion to its nation; in which every child receives an education; in which everyone benefits from health services and is covered by a social-security umbrella; and in which everyone looks forward to the future with confidence."



President Demirel: holding the flame.

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Identification and development of growth areas have boosted profitability substantially. Astute management has set ambitious goals for expanding business volume in world markets.

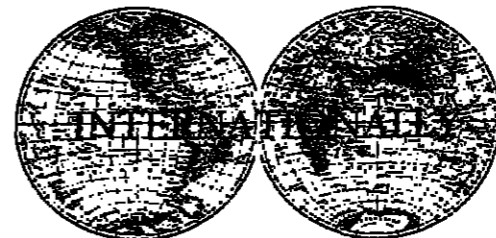
At Garanti Bank you will find an enterprising and energetic partner ready to help build your business with Turkey.



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- DU PONT (USA) @ SABANCI INDUSTRIAL YARN MANUFACTURING
- BECKEY (BELGIUM) @ SABANCI STEEL CORD MANUFACTURING
- PHILIP MORRIS (USA) @ SABANCI CIGARETTE MANUFACTURING
- TOYOTA MITSUBI (JAPAN) @ SABANCI AUTOMOTIVE MANUFACTURING
- IBM (USA) @ SABANCI INTERNATIONAL BUSINESS INFORMATION AND MANAGEMENT SYSTEMS
- KRAFT GENERAL FOODS INTERNATIONAL (USA)
- SABANCI FOOD PRODUCTS MANUFACTURING
- GERMANY-FRANCE BANKING/LEASING BANQUE NATIONALE DE PARIS-AXISBANK-CRESDENOR BANK
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# At Home and Abroad, Investing in Quality

Continued from Page 17

tion of standards drawn up by the Istanbul Chamber of Commerce (ISO).

Overall, Turkish industry has weathered the recession well. The profits of 50 leading companies quoted on the Istanbul stock exchange rose by 69.97 percent in 1992, keeping abreast of inflation.

Learning to balance domestic sales with exports, Turkish companies have reached out to markets around the world in the

past 10 years. Exports roughly tripled in value, to \$14.7 billion, between 1983 and 1992.

Turkey has made great strides toward the realization of the late President Turgut Ozal's vision of the country as a regional trading and industrial power by the early 21st century. Its main trading partners are still the other OECD states, especially those within the European Community. Turkey's trade with Middle East neighbors and North Africa remains strong despite the

Gulf crisis. From the mid-1980s onward, markets were opened up in the former Soviet Union on the back of an exchange of Siberian gas for Turkish goods and services.

While this exchange continues with the Russian Federation, Turkey also exports to and invests in the new Turkic states emerging from the dissolution of the Soviet Union in the trans-Caucasus region and Central Asia. This re-discovery of ethnic cousins has been underpinned by Turkish companies

Most large corporations recognize, however, that the bulk of Turkey's trade hinges on European markets. Though full EC membership still seems a long way off, the government has settled for a customs union by 1996.

Turkish industrialists point out that industry and commerce have already benefited from the process of adaptation required on the long road to EC integration.

## AUTOMOBILES

Domestic demand for cars, which increased by 36 percent in 1992, is setting the pace for established manufacturers and new entrants. By the beginning of the next century, total domestic demand is expected to rise to around 1 million units annually, compared with the 265,000 cars made and sold last year.

No longer are Turks starved for choice among a limited range of near-obsolete models made by plants with limited economies of scale established behind high import-substitution tariff barriers.

With the progressive introduction of new models during the last decade, the cars made in Turkey by Fiat licensee Tofas, Oyak-Renault and Ford-licensee Otosan are for the most part as modern as those marketed internationally.

Since the late 1980s, other foreign carmakers have woken up to the potential of Turkey's domestic market and of the country as a regional export base or manufacturing center in vertical, multinational integration.

The first new entrant in the field was General Motors; it made an early start in autumn 1990, making Opel Vectra models in a plant near Izmir with a capacity of 25,000 units annually.

Encouraged by generous government incentives like tax holidays, Japan's

Toyota — together with the leading local corporation, Sabanci Holding — started construction in May last year of a large \$325 million complex near Adapazarı.

The plant is due to begin production of Corollas in 1994, and it is expected to reach full capacity of 100,000 units annually midway through the second half of the decade. It will be the largest Japanese investment in Turkey to date. Meanwhile, Japan's Honda is also looking for a site for a similar-sized complex.

The automotive industry has become an important contributor to export earnings. In 1992, the sector's exports roughly dou-

bled, to \$644 million, and they are expected to do so again in 1993, to reach around \$1 billion.

One of the attractions for new foreign investors is a comparatively well-developed side industry, which is growing at a rate of 13 percent annually to keep pace with demand from home and abroad. Side industries now account for 73 percent of total exports.

More than 1,000 Turkish companies are involved in the manufacture of automotive components. The local content of vehicles made in Turkey averages 85 percent and, in some cases, reaches as high as 95 percent.

## AGRIBUSINESS

The agribusiness and agro-industry sector has vast potential in Turkey, one of the few countries in the world that is self-sufficient in food with a sizable export surplus; the latter is expected to at least double when the massive southeast Anatolian (GAP) development program is completed toward the end of the decade or early in the next century.

The food industry accounts for around 14 per-

cent of gross domestic product, while agro-industrial exports account for around 15 percent of total exports. Tomato-paste production and canning has long been a staple of the food industry.

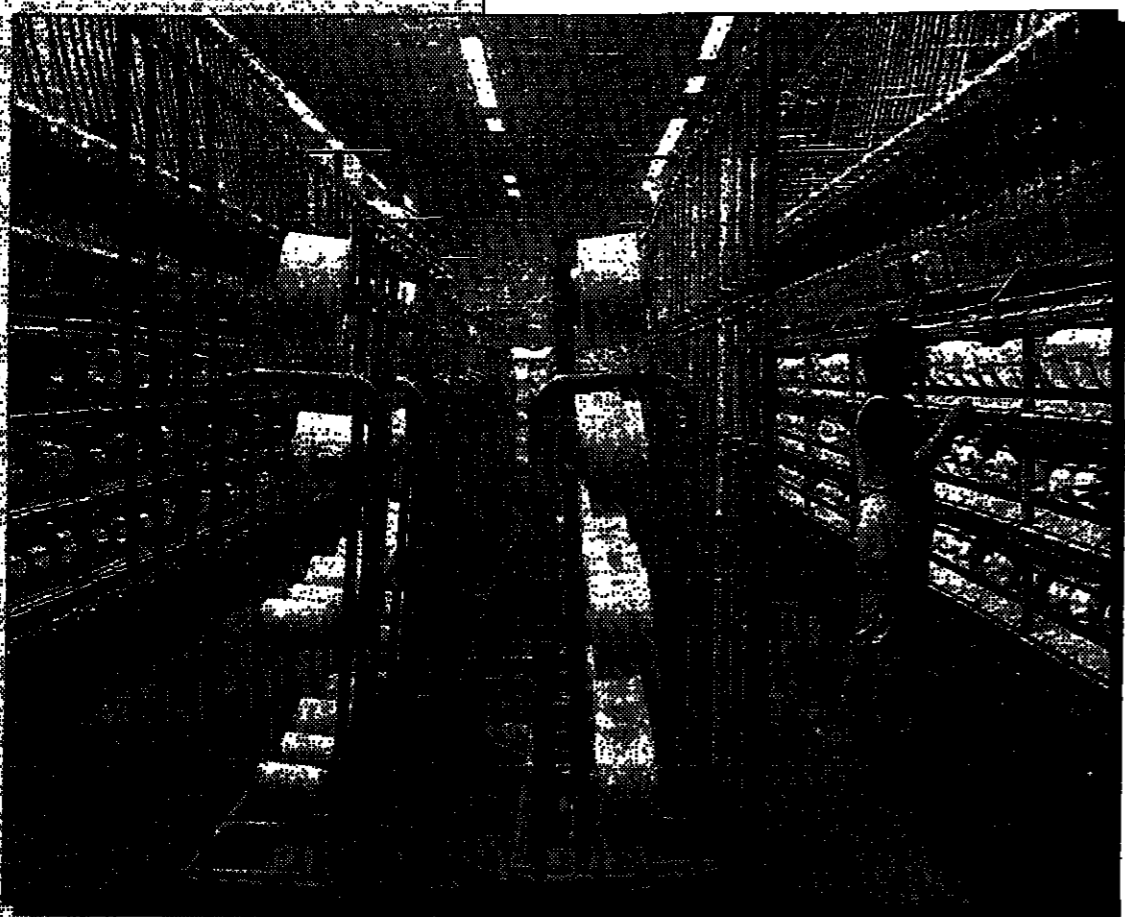
Foreign investment has recently centered in seed production, packaging and cigarettes. Especially good opportunities exist for manufacturers of processing machinery for meat, poultry, fresh fruit

and vegetables; the government has encouraged such investment recently by exempting packaging machinery from customs duties.

Internally, the market for processed foods is expanding fast, with the growth of large supermarket chains selling packaged foods rather than the loose sales in traditional corner-shop groceries. One of the largest corporations in packaged-food production is the Izmir-

based Yasar Holding group, with its meat- and milk-products operations.

The United States' Philip Morris, together with Sabanci Holding, is investing \$350 million in a cigarette plant near Izmir. Philip Morris brands already have an 8-percent share of the domestic cigarette market. In three years, the company plans to phase out its imports, replacing them with domestic production.



## TEXTILES

The motor of Turkish trade, particularly with the EC, has been the textile industry, both in cotton and artificial fibers. Despite the constrictions of EC quotas, textile exports have been increasing at a rate of nearly 10 percent annually during the last decade.

Since the early 1980s, textile manufacturers have shifted away from intermediate products like cotton yarn and gray cloth to capitalize on higher value-added earnings from fabrics and ready-to-wear clothing within the confines of quotas. Compared with the previous year, 1992 exports of ready-to-wear

products were up by 26 percent; cotton textiles, by 15.7 percent; and synthetic fibers, by 17 percent. At the same time, exports of cotton yarn dropped by 45.4 percent.

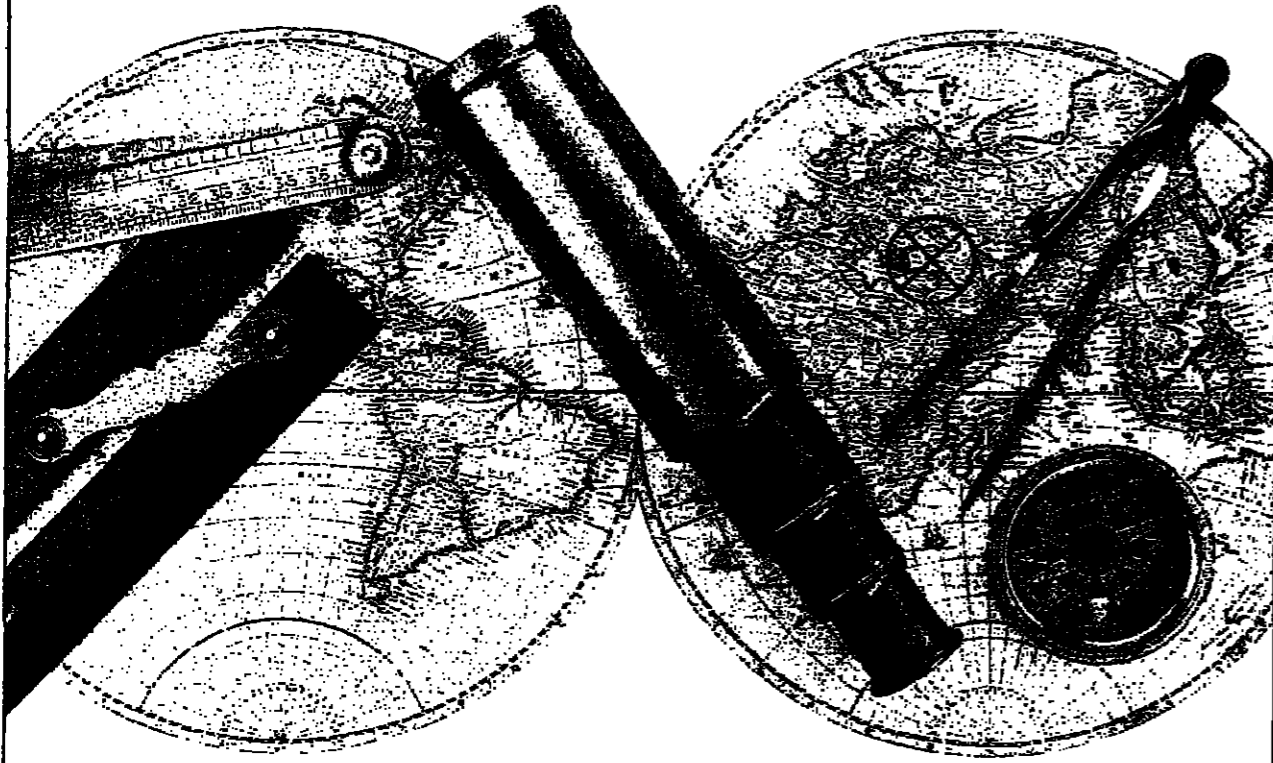
One of the gains Turkey made from siding with the West during the Gulf War was an easing in U.S. and EC textile quotas. Textile manufacturers are hoping that output will pick up this year, with the EC's removal of a 12-percent antidumping tax and the lifting of a similar levy by Turkey on imports of cheap Pakistani cotton yarn.

In the first half of the 1990s, the textile sector is

expected to increase output by 9.6 percent annually, while its export capacity is expected to double over the period, to around \$7.2 billion. The textile-machinery park, however, is in urgent need of renewal, requiring some \$5 billion in fresh investment over the next five years if it is to compete internationally.

An important companion to the textile industry is leather. In the medium-term up to 1994, exports of leather ready-to-wear clothing, along with shoes and other goods, are expected to boost the leather industry's exports to an annual value of \$1.5 billion.

## CORRECT DECISIONS ON ALL MAJOR INVESTMENTS NEED GOOD KNOWLEDGE OF DETAILS



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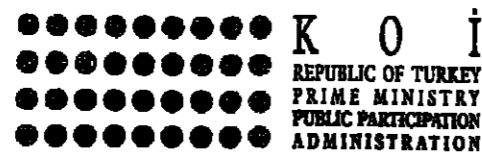
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all investors. A revenue of almost 1 billion dollars has been generated through privatization transactions in a period of 16 months, between January 1992 and April 1993. As part of this immense project, there will also be privatization transactions in iron and steel, petrochemicals, and petroleum refining and distributing sectors.

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ELECTRONICS

One of the fastest-growing and most dynamic sectors of Turkish manufacturing, the electronics industry is expanding at an annual rate of 20 percent.

and poor-quality, obsolete local makes. The country's leading producer of white goods, Arcecik achieved 11.5-percent real growth in its turnover in 1992.

300,000 units in 1993, will go to West European countries, and 8 percent will go to North Africa.

tion and export. In addition, Turkey is being lined up as a new base for the Japanese electronics industry, where the latter will first spur demand by the purchase of Turkish components and finished goods.

Companies like Arcecik (of the Koc Group) and Profilo are engaged in large expansion programs, with an eye to widening export openings in the West as well as in Eastern Europe and the Commonwealth of Independent States.

Of its planned output of 700,000 refrigerators in 1993, 43 percent is slated for export, marking an overall increase in exports by 80 percent over 1992.

Investment programs for 1994 and 1995 will enable the company to reach an annual production capacity of 1.5 million refrigerators, while those for washing machines and dishwashers will be 1 million and 500,000 units respectively.

The two telecommunications joint ventures, Netas and Teletas, are building on their learning curve of the past decade in a burgeoning domestic market by branching out into the new Turkic republics.

CHEMICALS & PHARMACEUTICALS

Turkey is particularly strong in domestic chemical production, and it has recently opened up markets in Eastern Europe and the CIS.

production, almost 80 percent of them owned by the private sector. Products include boric acid, caustic soda, sulfates, carbonates, percarbonates, borates, perborates, sodium dicromates, urea, dyes, rose oil and detergents.

Eczacibasi Group established alongside such leading multinational names as Roche and Procter & Gamble.

the second half of the 1980s, it has developed significant market shares in the former Soviet Union.

At present, there are around 300 companies in

An important subsector is pharmaceuticals, with domestic giants like the

The sector's output meets nearly 90 percent of domestic consumption. In addition, the pharmaceuticals industry has been exporting since 1978, mainly to Middle East and North African countries: since

Pharmaceuticals giant Eczacibasi Holding has established drug manufacturing in Moscow, Alma-Ata and Samarkand, aiming to help meet demand for antibiotics, painkillers, stomach medicines and vitamins.

IRON AND STEEL

In both the massive state complexes and private-sector plants concentrated around Izmir, the Turkish iron and steel industry has made great progress in quality and capacity during the past few years.

gram; the company is partly owned by the state. Today, by means of advanced technology, the industry is capable of producing specialized steels for a diverse range of applications.

Output from arc-furnace mini-mills, situated mainly near Izmir, increased by 22.5 percent in 1992 to take the private sector's share of total output to 60 percent for the year, compared with 54 percent in 1991.

tion industry. Turkish mills were booked out with export orders until mid-1993; the main markets are China and other Far East destinations, together with North Africa, Latin America and the Middle East.

TELECOMMUNICATIONS

The telecommunications market in Turkey has greatly expanded in recent years. Communications and transport have headed the list of infrastructural development priorities in opening up the economy.

this development. Through their supply of switching and transmission gear, Netas and Teletas have bridged the transition from outmoded analogue to modern digital technology.

can also be supplied internally.

Turkish telecoms have been at the forefront of assistance for the new Turkic republics in the trans-Caucasus region and Central Asia in the former Soviet Union. Late last year, television-satellite ground stations, telephone exchanges and other communications facilities were switched on by the PTT in Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Azerbaijan as part of a program valued at \$150 million.

Today, almost every village in the land is connected by telephone, and the sector has advanced to the degree that contracts were recently awarded for a mobile-telephone system covering the country's three main cities.

In addition, both have been part of the government's privatization program; the post, telegraph and telephone (PTT) administration is itself slated for denationalization in what will be the government's largest such undertaking yet.

switching equipment, personnel and personnel training, with a medium-term objective of installing 100,000 lines for the leading cities of the republics.

Turkish manufacturers, particularly the joint ventures Netas and Teletas, have played a vital role in

CERAMICS AND GLASS

Ceramics are one of Turkey's oldest and best-known products, with famed Iznik antiques fetching record prices in auctions around the world.

products every year. These products range from tableware and giftware to sanitary ware and floor and wall tiles.

Glass production satisfies domestic demand, with about 25 percent left over for export. The industry is dominated by Siseam, whose 23 operations make all of Turkey's flat glass, 80 percent of glass containers and 60 percent of glass housewares

CEMENT

In terms of cement output, Turkey is ranked 12th in the world and fifth in Europe, excluding the CIS.

cause of its export potential and the steady demand created by the rapid construction of housing and infrastructure since the mid-1980s.

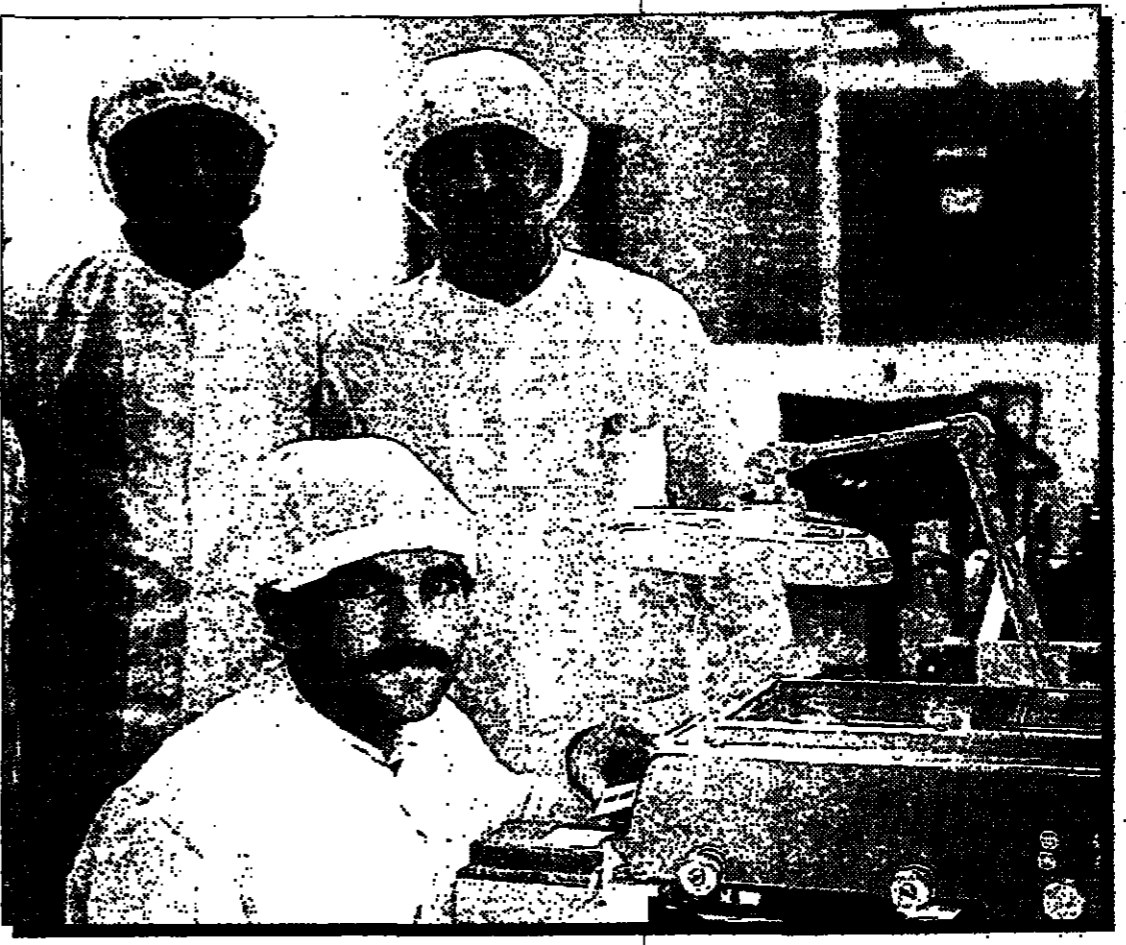
Privatization has been especially successful in the cement sector, since the Public Participation Administration (KOP) started selling off 17 state-owned factories in 1989.

DEFENSE

Turkey has made impressive progress in developing its indigenous defense-manufacturing industry. In 1985, the defense-industry undersecretariat (SSM) was established to administer the \$10 billion program, which was spearheaded by a \$4 billion program to make F-16 fighter jets under license from the United States' General Dynamics.

space Industries (TAI) at Murtek, outside Ankara. The project will be financed by a \$3 billion fund to which Saudi Arabia and Kuwait have made munificent pledges in gratitude for Turkey's help during the Gulf War.

sets, mobile radars and multiple-launch rocket systems. This year, the SSM hopes to award contracts for a low-altitude air-defense system and the modernization of F-4 and F-5 fighters.



PHILIPPE QUINQUARD

The nation's telecom companies are now exporting their high-tech expertise.

PETROCHEMICALS

Demand for petrochemicals is racing ahead of internal capacity, with current needs met mainly by imports and state-owned Petki.

1.2 million tons by the year 2000, or double the output in 1991. To meet this demand, Petkim plans to build four new production units to be commissioned by 1997.

modernized. Petkim has developed a still more ambitious strategy to build a third petrochemical complex at a cost of around \$2 billion.

Large advertisement for Turkish Airlines featuring the text 'ISTANBUL Make a point of it. With Turkish Airlines.' and a map of flight routes to cities like Ankara, Baku, Ashgabad, Tashkent, and Alma Ata.

For centuries, Istanbul was the centre of ancient civilisation. And today it's easy to see why. Although much has changed, Istanbul is still very central when travelling to the Middle East or to Asia.

Especially on Turkish Airlines. You'll have the comfort of our modern fleet of planes which offer you extra leg room and wide Business Class seating.

Add to this our warm Turkish hospitality, and you just may find yourself thinking we're an important centre of modern civilisation too.



TURKISH AIRLINES NEW HORIZONS IN COMFORT





